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7 BEFORE THE INSURANCE COMMISSIONER
8 OF THE STATE OF WASHINGTON

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10 In the Matter of the Application
11 regarding the Conversion and
12 Acquisition of Control of Premera Blue
13 Cross and its Affiliates.

No. G 02-45

PREMERA'S RESPONSE TO OIC
STAFF'S OBJECTIONS TO
PROPOSED REDACTIONS TO OIC
CONSULTANT SUPPLEMENTAL
REPORTS

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15 ***I. Introduction***

16 Pursuant to the Commissioner's Seventeenth Order, Premera responds to the OIC
17 Staff's objections to Premera's proposed redactions of the PriceWaterhouseCooper and
18 Cantilo Supplemental Reports on Executive Compensation. Premera has reviewed these
19 objections, and it has withdrawn its proposed redactions where it has determined that the
20 information is publicly available or that its disclosure would not harm the company. The
21 remaining information, however, must be redacted in order to protect Premera's
22 confidential business information.

23 ***II. Response***

24 There continues to be little or no dispute regarding the standards that govern
25 Premera's proposed redactions, and therefore Premera incorporates by reference the
analysis of applicable standards provided in its prior redaction briefs.

PREMERA'S RESPONSE TO OIC STAFF'S
OBJECTIONS TO PROPOSED REDACTIONS TO
OIC CONSULTANT SUPPLEMENTAL REPORTS-

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COPY

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2 **A. PwC Report**

3 The OIC staff objects to redaction of three tables of executive Total Direct
4 Compensation (PWC-2, -3 and -6). PWC-2 contains information that was ordered
5 disclosed in the Special Master's November Order, and the table reflects historical
6 information. For these reasons, Premera withdraws its proposed redaction of PWC-2.
7 PWC-3 and PWC-6, by contrast, do not reflect historical information, even though the
8 column containing the base information in each is (erroneously) labeled "2002 TDC".
9 Presented here are internal projections of future executive salaries assuming conversion,
10 assuming future salary levels and assuming a valuation of stock options using Premera's
11 non-public information. The numbers shown here have not been previously disclosed.
12 They correspond closely to the figures in the table on page 13 of the Mercer Report. The
13 OIC staff did not object to redaction of essentially the same information in the Mercer
14 report. These redactions are entirely appropriate.

15 PWC-11 through -15¹ are another iteration of the same projected compensation
16 figures for the five officers whose data are presented collectively in PWC-3 and -6.
17 Again, the information presented reflects confidential internal projections, and has not
18 been publicly disclosed.

19 **B. Cantilo Report**

20 CB-1, -2, -4 and -5² are "expert" Patrick Cantilo's aggregations of the same data
21 that Premera seeks to redact from the PwC report. Such data remain proprietary and
22 appropriate for redaction.
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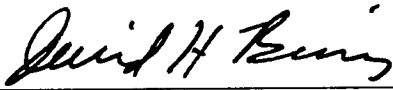
25 ¹ Although the OIC staff doesn't include PWC-15 in its redaction table, Premera assumes that
PWC-15 was intended to be treated the same as PWC-11 through -14.

² CB-4 and -5 are identical to CB-1 and -2, respectively.

1 CB-6 relates to Board Compensation. Premera withdraws its proposed redaction
2 in light of the Special Master's ruling concerning the Mercer report.

3 DATED this 9th day of January, 2004.

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6 By 

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10 Attorneys for Applicant

11 PREMERA and Premera Blue Cross

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